0 5606
Q.35414

J
922242

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SE[C]TION 13 OR 15(d)
OF THE SECURITIES EXCHANG[E ACT OF 1934

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
L30

For quarter Ended January 31, 1992 Commission file number 2-

KFC National Purchasing Cooperative, Inc.
(Exact name of registrant as specified in its charter)

Delaware	61-0946155
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
950 Breckenridge Lane, Suite 300 Louisville, Kentucky	40207
(address of principal executive offices)	(zip code)

Registrant's telephone number, including area code (502) 896-5900

BEST COPY
AVAILABLE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Number of shares of common stock outstanding as of February 28, 1992:

Membership Common Stock	464
Store Common Stock	4695

RECEIVED
MAR 28 1992
ACT&N

KFC NATIONAL PURCHASING COOPERATIVE, INC.

INDEX TO QUARTERLY REPORT FORM 10-Q

		Page
Part I - Financial Information		
Item 1	Financial Statements	
	Condensed Consolidated Statement of Income Three months ended January 31, 1992 and 1991	3
	Condensed Consolidated Balance Sheet July 31, 1992 and October 31, 1991	4
	Statement of Cash Flows Three months ended January 31, 1992 and 1991	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	6-7
Part II - Other Information		
Item 6	Exhibits and Reports on Form 8-K	8
Signatures		9

Part I - Financial Information

Item 1. Financial Statements

KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

FOR THE THREE MONTHS ENDED JANUARY 31, 1992 AND 1991

(Unaudited)

	1992	1991
Net Sales	$81,800,472	95,721,148
Cost of Goods Sold	79,906,385	94,109,910
Gross Profit	1,894,087	1,611,238
Selling, General and Administrative Expenses	1,406,070	1,182,354
Provision for Losses on Receivables	73,000	92,000
Other Income(Expenses):		
Service charges	95,857	47,115
Interest income	38,753	59,412
Interest Expense	(48,628)	(79,354)
Miscellaneous	24,672	31,491
	110,654	58,664
Income before Patronage Dividend and Income Taxes	525,671	395,548
Patronage Dividend	284,976	262,907
Income before Income Taxes	240,695	132,641
Provision for Income Taxes	80,054	45,834
Net Income	$160,641	86,807

The accompanying note is an integral part of the consolidated financial statements.

KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
January 31, 1992
(Unaudited)

ASSETS	January 31, 1992 (Unaudited)	October 31, 1991 (Note)
Current Assets:		
Cash and cash equivalents	$304,520	222,665
Investments, at cost which approximates market	285,000	285,000
Accounts receivable, less allowance for losses of $702,296 at January 31, 1992	22,533,957	19,796,214
Food and packaging inventories	5,744,951	2,953,066
Equipment inventory	366,526	458,788
Refundable income taxes	144,647	257,711
Current portion of note receivable from related party	120,000	120,000
Current portion of notes receivable	135,155	143,711
Prepaid expenses and other current assets	32,629	48,564
Total Current Assets	29,667,385	24,285,719
Office Equipment, net	1,011,975	565,323
Note Receivable and Investment in Affiliated Company	1,550,000	1,600,000
Note Receivable from Related Party, Excluding Current Portion	440,534	452,666
Notes Receivable Excluding Current Portion	186,120	137,193
Deferred Income Taxes	758,517	758,396
Other Assets	368,314	386,956
Total Assets	$33,982,845	28,186,253
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Short-term borrowings	$6,150,000	2,240,000
Accounts payable	11,090,779	9,278,499
Accrued expenses	1,317,712	1,604,181
Premium deposits	490,839	594,825
Patronage dividend	1,566,442	1,281,466
Total Current Liabilities	20,615,772	14,998,971
Commitments and Contingencies		
Members' Equity:		
Membership Common Stock	4,640	4,690
Store Common Stock	1,194,252	1,175,052
Retained Earnings	12,168,181	12,007,540
	13,367,073	13,187,282
Total Liabilities and Members' Equity	$33,982,845	28,186,253

The accompanying notes are an integral part of these financial statements.

KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 31, 1992 AND 1991
(Unaudited)

	1992	1991
Cash Flows from Operating Activities:		
Net Income	$160,641	86,807
Adjustments to reconcile net income to net cash used in operating actitivities:		
Depreciation and amortization	52,500	61,500
Provision for losses on receivables	73,000	92,000
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,810,743)	(2,891,456)
(Increase) decrease in inventories	(2,699,623)	998,886
Decrease in refundable income taxes	113,064	489,586
Decrease in prepaid expenses and other current assets	15,935	10,549
Increase in deferred income taxes	(121)	(10,706)
Increase (decrease) in accounts payable	1,812,280	(3,532,059)
Decrease in accrued expenses	(286,469)	(31,519)
Decrease in premium deposits	(103,986)	(9,212)
Increase in patronage dividend	284,976	263,707
Net cash used in operating activities	(3,388,546)	(4,471,919)
Cash Flows from Investing Activities:		
(Increase) decrease in Note Receivable and Investment in Affiliated Company	50,000	(350,000)
Decrease in Note Receivable From Related Party	12,132	—
Increase in Notes Receivable	(40,371)	(600,000)
(Increase) decrease in Other Assets	18,642	(400,000)
Additions to Office Equipment	(499,152)	(4,016)
Net cash used in investing activities	(458,749)	(1,354,016)
Cash Flows from Financing Activities:		
Increase in short-term borrowings	3,910,000	6,000,000
Proceeds from sale of stock, net of costs	31,660	15,240
Retirement of stock	(12,510)	(18,283)
Net cash provided by financing activities	3,929,150	5,996,957
Net increase in cash and cash equivalents	81,855	171,022
Cash and cash equivalents – beginning of period	222,665	181,097
Cash and cash equivalents – end of period	$304,520	352,119
Supplemental information:		
Income taxes paid	$ 0	0
Interest paid	$33,987	39,592

The accompanying note is an integral part of the consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the registrant's annual Form 10-K filing. Accordingly, the reader of this Form 10-Q may wish to refer to the registrant's Form 10-K for the year ended October 31, 1991 for further information in this regard.

The accompanying financial statements for comparative purposes have been made to conform to the format of the Registrant's Form 10-K for the year ended October 31, 1991 and have been prepared in accordance with the registrant's customary accounting practices and have not been audited. In the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary for fair presentation of this information have been made.

2. Management's Discussion and Analysis of Financial Position and Results of Operation

The following discussion and analysis of financial conditions and the condensed consolidated results of operations should be read in conjunction with management's discussion and anlysis of financial condition and results of operations in the company's October 31, 1991 Form 10-K. The results of operations for the three months ended January, 1992 are not necessarily indicative of the operating results for the entire year.

Results of Operations

First Three Months of Fiscal 1992 Compared to the First Three Months of Fiscal 1991.

A comparison of material changes between the three months ended January, 1992 and the comparable period for the previous year shows:

Net sales decreased by $13,921,000 or 14.6% from the first quarter in 1991. This reflects the completion of KFC Corporations withdrawal of significant support from the Cooperative. By the end of the fourth quarter 1991 KFC Corporation had transferred substantially all of its business to PFS. The total lost revenues for 1991 associated with KFC Corporation were approximately $53,000,000. The volume of KFC Corporation business diminished throughout fiscal 1991 impacting sales revenues in the later quarters more significantly. Sales for the first quarter did however exceed budget by $2,240,000.

The Cooperative will experience additional revenues as a result of the start-up of the Canadian business. The first sales were booked in late February and the annual volume is estimated to be in the neighborhood of $75,000,000. The start-up costs associated with Canada is estimated at $250,000. The Canadian franchisees will be able to acquire stock in the Cooperative once all security issuance requirements are satisfied.

First Three Months of Fiscal 1992 Compared to the First Three Months of Fiscal 1991 (cont.)

Gross margin as a percent of net sales increased to 2.3% from 1.7% which is attributable to product mixture. Gross margins are constantly being evaluated to provide competitive prices and provide the services required to fulfill the Cooperative's purpose.

Selling and general administrative costs as a percent of net sales increased to 1.7% from 1.2%. The increase is primarily associated with lower sales but also reflects added staff in the reorganization. Management is constantly monitoring costs to provide the required service at the lowest cost to the stockholder members.

The provision for losses on uncollectible accounts increased to $702,296 from $506,960 at January 31, 1991. Management believes the current provision to be sufficient.

The provision for Patronage Dividend for the first quarter of 1992 has been calculated and accrued on a formula approved by the Board of Directors.

Miscellaneous income of $24,672 is primarily associated with a dividend received by the insurance subsidiary and commissions on sales/use taxes.

Financial Condition at January 31, 1992 Compared to Financial Condition at October 31, 1991

Net working captial (current assets less current liabilities) at January 31, 1992 was $9,051,613, which is a decrease of $235,135 since October 31, 1991. The decrease in working captial is primarily from the increase in short-term borrowings of $3,910,000, accounts payable of $1,812,280 and patronage dividend payable of $284,976 coupled with the decrease in refundable income taxes of $113,064. The above negative working capital factors were offset by an increase in accounts receivable of $2,737,743 and inventories of $2,699,623 and a decrease in accrued expenses of $286,469.

Part II – Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits – None

(b) Reports on Form 8-K – None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 13, 1992

KFC National Purchasing Cooperative, Inc.

By: _____
Thomas D. Henrion, President

Date: March 13, 1992

By: _____
William V. Holden, VP/Chief Financial Officer